

HOUSING AUTHORITY OF THE COUNTY OF KING
King County, Washington
July 1, 1994 Through June 30, 1995

Schedule Of Findings

1. Housing Authority Officials Need To Monitor Miscellaneous Cash Receipts At The Section 8 Office

Housing authority employees located at the Section 8 office receive miscellaneous receipts through retro-rents, damage claims, and owner payments. They also receive portability payments from other housing authorities. All are forwarded to the central office for processing.

During our examination of the internal control system over miscellaneous receipts at the housing authority's Section 8 office, we found the following internal control weaknesses:

- a. Section 8 office personnel issued "Rediform" receipts to record moneys taken over the counter and did not record moneys received in the mail in any form. "Rediform" receipt books are readily available and the numbers can be easily duplicated.
- b. Employees randomly issued receipts out of four different "Rediform" receipt books located in various areas of the office.
- c. Deposits were made only twice a month.

The lack of controls over the miscellaneous cash receipts at the housing authority's Section 8 office could result in errors in accounting information or a misappropriation of housing authority funds.

We recommend housing authority officials develop and implement a cash receipting system to ensure all receipts received through the mail or in person are properly receipted, recorded, and deposited in a timely manner.

2. Housing Authority Officials Should Monitor Petty Cash Funds

The housing authority maintains petty cash funds at several decentralized locations. These sites are either housing authority administered offices or professionally managed rental properties. While we found adequate controls in place at the housing authority administered offices, we found the managed properties were not following their own internal control policies pertaining to petty cash. Further, housing authority officials were not adequately monitoring these funds.

During our audit of the petty cash funds at the managed properties, we found the following weaknesses:

- a. Cash on hand plus receipts did not always equal the authorized amount of the petty cash fund.
- b. The 'petty cash recap' was not consistently mailed to the central office when the cash became less than \$50.
- c. Not all receipts and petty cash were being maintained in the locked petty cash box. In some instances, the receipt and/or petty cash was still in the possession of the person who had requested the petty cash disbursement.
- d. Reimbursement requests were not being consistently submitted in accordance with the stated policy (before the fund becomes 50 percent depleted, or at least once a month).

These weaknesses are in direct violation of the management firms' written policies and could result in improper disbursements and/or cash losses to the housing authority.

We recommend housing authority officials monitor petty cash disbursements at the managed properties to ensure compliance with the policies and procedures.

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Schedule Of Federal Findings

1. Findings Of Other Auditors

The U.S. Department of Housing and Urban Development Office of Inspector General conducted an investigation of the King County Housing Authority (KCHA) during January and February 1996. The investigation centered around five allegations. Those allegations which have audit significance are detailed below, followed by the required action taken by KCHA officials and the Inspector General's conclusions.

The first allegation regarded the awarding of contracts. KCHA officials revised the Ethics and Conflict of Interest Policy which prohibits, except in limited circumstances, a KCHA employee from knowingly purchasing goods and services from KCHA-contracted vendors and suppliers. The Inspector General's office concluded they were satisfied with KCHA's response.

The second allegation pertained to KCHA officials obtaining vehicles and equipment from the KCHA during the disposition process in violation of KCHA's policy. An employee, working through a middleman purchaser, allegedly obtained vehicles and equipment disposed of by KCHA. KCHA revised its Disposition Policy to include more specific provisions in the area of equipment disposition and the circumstances under which KCHA employees may acquire such equipment. The Inspector General's office concluded that the provisions of KCHA's policy will minimize the potential for the "loss" of Federal dollars by restricting the opportunity and the incentive for premature disposition.

We will review the effectiveness of the revised policies during our next audit.